STATEMENT OF
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BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET

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Mr. Chairman and Members of the Subcommittee, thank you for holding this hearing today. I am Edward Salas, Vice President of Network Planning for Verizon Wireless. I am responsible for network strategy, planning, purchasing and administration. I am here representing Verizon Wireless.

Verizon Wireless thanks you and your colleagues for the time and effort put forth in working to craft legislation that updates our nation's telecommunications laws. We also appreciate the attention that you gave to the concerns raised by Verizon Wireless on your first draft. Specifically, we applaud your efforts in streamlining the far-reaching national consumer standards, welcome the progress toward improved net neutrality provisions, and appreciate changes to the FCC's role. We believe that these revisions were clearly a step in the right direction, and it is Verizon Wireless' hope that, as the committee continues its drafting process, consensus is reached on a bill that fosters competition, removes unnecessary government regulation, and allows a deregulated market to bring benefits to consumers.

Verizon Wireless views our appearance here today as an opportunity to share our views on your revised staff draft, and offer some insight on what we believe it will take to promote wireless competition, incent continued investment that benefits the economy and subscribers, and remove regulatory impediments that thwart innovation. This is the right time, and the right opportunity, to complete the deregulatory process for mobile radio services that Congress began in 1993 with passage of the Omnibus Budget Reconciliation Act. Congress had the foresight to recognize that removing wireless services from traditional, cradle-to-grave utility regulation would unleash the competitive marketplace to deliver benefits to consumers. Congress' expectation proved accurate. The wireless industry has been a critical driver of the national economy, generating tens of millions of new jobs, building new communications infrastructure, and serving more than 190 million Americans. With certain modifications the draft bill can lead to even more benefits to consumers and the economy.

Today, I will share with you some our principal concerns. I hope that we will have the opportunity to share with you some additional concerns and suggestions as your legislative efforts continue.

1. Verizon Wireless is Making Major Investments in Broadband Wireless Technology.

I first want to describe the actions our company is taking to offer broadband services to our customers. There is no doubt that broadband has enormous potential capabilities to deliver many features and capabilities to wireless consumers. Voice, text messaging, email, streaming video, emergency alerts, location services, and Internet access are only some of the amazing capabilities that this technology promises. Verizon Wireless is a firm believer in the broadband future. We were the first company to roll out what we consider real "3G" services, and are leading the industry in broadband deployment. We first deployed our "EVDO" service in

October 2003 in San Diego and Washington, D.C. EVDO, derived from the CDMA 2000 technology family, increases peak data download speeds up to 2 Mbps, and typical, user-experienced download speeds range from 400 to 700 kbps. With EVDO, users can access exciting video applications via their handsets over our VCast service, or access the Internet through a wireless modem "aircard" that is inserted into a laptop computer. We have recently reached agreement with three major computer manufacturers to incorporate this capability directly into their laptops. We have invested well over $1 billion in expanding our EVDO offering to encompass more than 170 major metropolitan markets and 84 major airports across the nation, and we will continue to expand the customers' ability to access this amazing technology.

2. Wireless Broadband Relies on IP Technology and Leverages Our Circuit Switched Technology as Well. It is important to understand that Verizon Wireless and other wireless providers are using <u>both</u> IP and non-IP interfaces in their networks. For voice and narrowband data, our network operates over more traditional circuit switched facilities; at other times and places we operate in packet mode. Our EV-DO broadband service is fundamentally an IP-based technology working over a standard non-IP air interface, but all of our EVDO based devices have a circuit switched capability to support all of our basic voice and legacy services. Many of our competitors also deliver their services over a single, integrated wireless network, seamlessly weaving high-speed and lower-speed capabilities, as well as packet and circuit-switched technologies. The mix of packet and circuit technologies – and high-speed and lower-speed services – varies widely not only among wireless companies, but also in different geographic areas served by the same company. Moreover, that mix is constantly evolving as each wireless

competitor works to offer the latest services to its customers including voice, Internet access, games, photos, music, and video services.

3. The Draft Bill Maintains the Old Silo Approach for New Technologies. Now I'd like to talk about how the draft bill fits or doesn't fit with the reality of integrated, ever-evolving technology of wireless broadband. On the one hand, the draft bill rightly focuses on IP-enabled services, where the technology is going, not where it has been. Verizon Wireless agrees that IP-enabled services are the platforms of the immediate telecommunications future. On the other hand, the draft bill is structured along the lines of the regulatory model for landline services that has been in place for decades. Therefore, it incorporates the burdens of where we have been, rather than where we are going. It adopts multiple new classifications and definitions and applies different regulatory regimes to each. Verizon Wireless has concerns about this approach. The draft does not grapple with the rapid technological change, particularly in wireless, that eradicates these distinctions. Consumers don't know or care whether the wireless services they buy are deployed over a packet technology or a circuit-switched one. They simply want the services and want them to perform reliably. Attempting to regulate such packet switched digital services and applications in silo-like regimes, where services provided over a single platform may be regulated and taxed differently, will create an administrative and regulatory nightmare. Our concern is that these regulatory distinctions will have the unintended consequence of impeding the innovations and growth of even newer services that are arising precisely because the distinctions among services to users are blurring.

4. The Draft Bill Does Not Expressly Encompass Mobile Wireless Services. Verizon Wireless is also concerned that the bill could be read to omit wireless altogether from the

landmark deregulatory approach that would apply to "BITS" providers. The draft bill appears to require that a BITS provider must use a packet-switched transmission service. As I noted earlier, Verizon Wireless (and other wireless companies) currently provides broadband service over an integrated platform of both packet and circuit-switched technologies. The two cannot be segregated.

If the committee believes that it is time to deregulate competitive telecommunications services – a view Verizon Wireless strongly endorses – it needs to craft a definition of a BITS provider that includes all wireless technologies. If it is time to remove regulation for wireless packet-technology, why should the analysis differ merely because the broadband technology at some times and in some places may rely on a hybrid circuit-switched-packet technology (1xRTT has circuit switched layer and a packet layer)? In our view, the right course is to recognize it is time to remove the last vestiges of common carrier, utility-type regulation from wireless. If the Committee agrees, the simplest path to that result is to modify the definition of BITS provider to include all services that are offered in conjunction with BITS or carried on the same network platform as BITS.

5. The Net Neutrality Provisions Should Recognize The Uniqueness of Wireless Services. If Verizon Wireless in fact qualifies as a BITS provider, we applaud the general approach of the draft bill to treat us as an interstate, national service. We do have some concerns about the "net neutrality" or "Access to BITS" in Section 104 of the draft legislation, because they do not appear to acknowledge critical technology distinctions between wireline and wireless networks. The air interface on a wireless network is significantly more bandwidth limited than wireline's dedicated fiber optic or copper facilities, and must be *shared* by all users in a defined geographic area. Moreover, various mobile applications place varying demands on this resource

as well as the traditional load characterized by the raw number of customers operating in a cell. Network performance and resource availability in the wireless environment is thus much more sensitive to variations in usage than a wireline network.

We will certainly offer subscribers service plans that involve varied and reasonable bandwidth and capacity limitations and services that protect consumers from unwanted content or messages. However, in order for us to ensure the integrity and reliability of our network, and to provide consumers with the best available on-line experience, we cannot support "unrestricted" access to the Internet for downloading any and all applications, or the connection of devices not approved for use on our network. Verizon Wireless does not block customers from accessing the Internet as long as they are lawful and not associated with any security or misuse risk. But we believe we must control the amount of resources that any individual customer can demand from our network. As managers of that resource, we need that flexibility so that we can provide our subscribers with the most reliable, consistently excellent mobile on-line experience that our network will support.

The draft legislation is right to preserve a BITS provider's authority to "protect the security and reliability of its network and broadband transmission services," but it is not clear how this authority will be reconciled with the provider's duty not to block access to "any lawful content, application or service provided over the Internet," and to permit subscribers "to connect and use devices of *their* choosing." At least in the wireless environment, the "device" is in fact an extension of our network. In fact, under FCC rules, every one of our handsets, PDAs and air interface cards is licensed by the Commission and must comply with strict technical requirements. If we must allow customers to attach devices "of their choosing," how can we be sure that we comply with the terms of our FCC licenses? We are not talking about plugging fax

machines onto a landline network but about devices with complex and dynamic functionality that not only manage the applications we sell but enable basic radio connectivity and participate with the network in managing RF power settings. We test and certify every device on our network with great care and diligence. This process cannot be abdicated to the consumer.

Consumers have multiple choices of wireless services as well as multiple broadband choices. In this context, there is no need to encourage consumers to second-guess the decisions of wireless network operators on how to run the network. We will respond to consumer demand for connectivity in the most efficient and effective ways available on our network. If we do not offer customers the features and capabilities they demand, they will "vote with their feet" and switch to a competitor. We are incented to provide the services that customers want.

The net neutrality provisions should not substitute for the incentives we and other wireless carriers have to serve consumers. Either such provisions are going to be too rigid and inflexible – discouraging innovation – or they are going to be too vague – leading to uncertainty and litigation. While the draft bill allows us to take "reasonable measures" to protect the security and reliability of our network, who is going to determine when a measure is "reasonable"? We thus recommend that Section 104 be modified to make clear that wireless BITS providers have the right to manage their network and the devices that can be used with that network.

6. Congress Should Make Clear that Wireless is To Be Subject to Federal Regulation. While it is clear that we are trying to achieve the same result of a national deregulatory framework, it is our belief that we may be subject to an entirely new, uncertain, complex and re-regulatory regime. It would retreat from and reverse the deregulation that has so served the nation's economy and wireless customers. As creatures of a deregulatory environment, the simple thought of new regulatory compartments and obligations gives us pause. Verizon

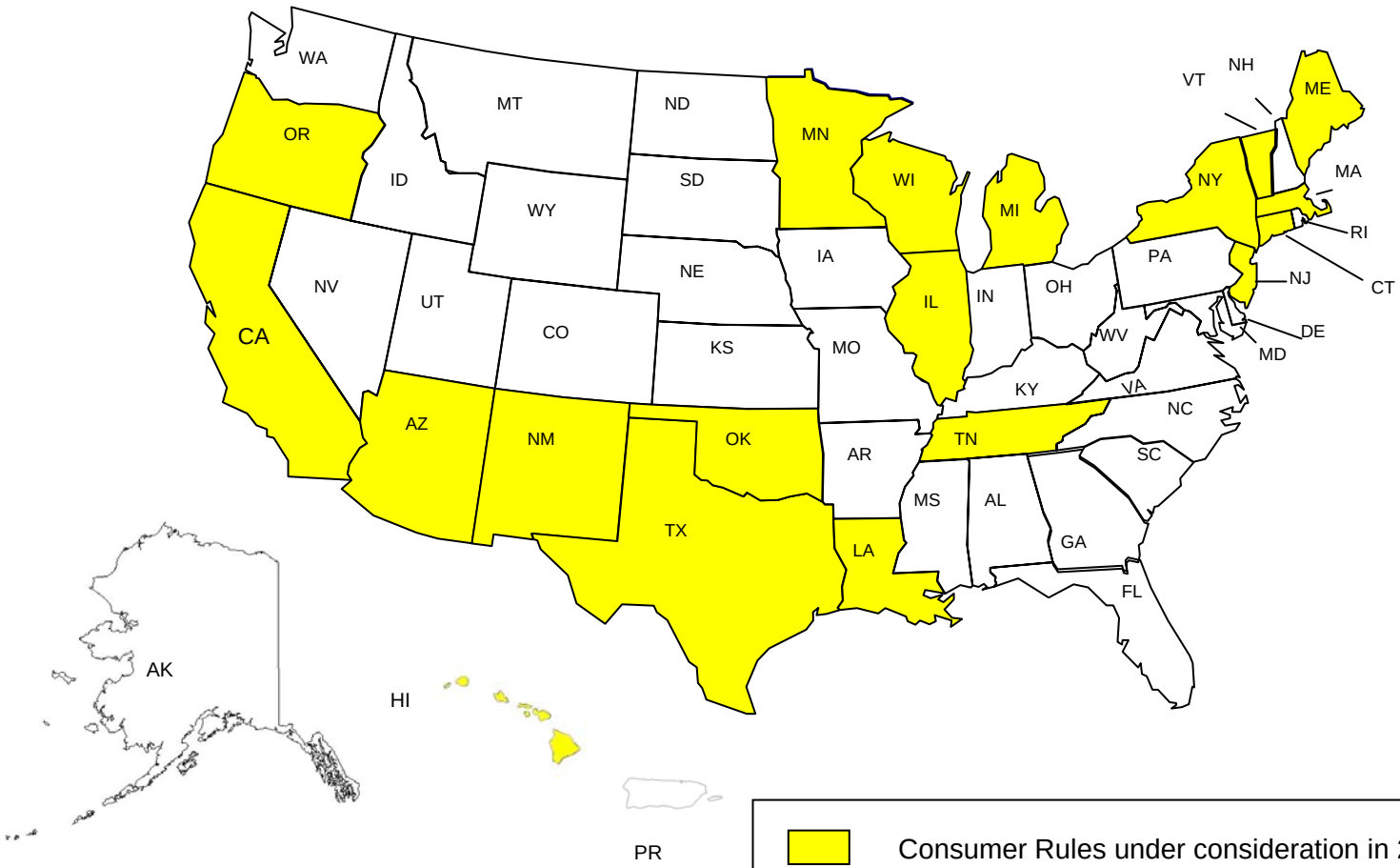
Wireless does believe that a national deregulatory regime for wireless is possible – and much simpler.

Now, more than ever, states are attempting to reassert utility-type regulation on the wireless industry. Ironically, at the same time the industry has been deploying national networks and offering national rate plans that offer unparalleled benefits for consumers, states threaten to undermine these benefits by imposing a patchwork of burdensome and inconsistent rules. Left unchecked, these re-regulatory efforts will force wireless carriers to follow different rules in different states and undo the benefits of deregulation (see Attachments 2 and 3) – a result antithetical to Congress' goal in 1993. We have some states attempting to dictate the contents of our bills – an effort that will inevitably lead to varying, inconsistent requirements in different states. In 2005 alone, 18 states attempted to impose their own regulatory regimes on our industry (see Attachment 1). We have others attempting to control our rates, despite Congress' clear command in 1993 that the market, not public utility commissions, should regulate rates. Still other states are not taking any action. Exclusive federal oversight and regulation, where necessary to protect consumers, is the right approach for the wireless industry.

Congress can simultaneously recognize the benefits of competition and prevent the harmful impacts of state-by-state regulation of a national industry by completing the deregulation began in 1993. The federal government is in the best position to oversee this national industry, which serves the public across and without regard to state lines. Verizon Wireless urges the Committee to clarify that the deregulatory provisions in Section 101 apply to all wireless services. This will help ensure that, as we and our competitors make further investments in national broadband services that benefit the public as they work and travel across the nation, we are regulated consistently, and at a national level.

Conclusion: The Committee took the first step in 1993. You have a unique opportunity to build upon that success. Verizon Wireless hopes that as your legislative process continues, you keep in mind the technical complexities of the wireless network and allow us the freedom to maintain our network resources and the ability to secure our network. We look forward to working with you in this process.

WIRELESS CONSUMER LEGISLATION/REGULATION



10 Years of Deregulation and Competition: Growth in the Mobile Telephone Industry

142 Million Subscribers in 2002

UP 780%
From 16 Million Subscribers in 1993

Subscribers

192,419 Jobs in 2002

UP 383%
From 39,775 Jobs in 1993

Jobs

127 Billion Invested as of 2002

UP 800%
From $14 Billion as of 1993

Capital Investment

427 Average Monthly MOUs in 2002

UP 200%
From 140 MOUs in 1993

Minutes of Use

$0.11 Per Minute in 2002

Price per minute

DOWN 74%
From $0.44 per minute in 1993

Source: Cellular Telecommunications & Internet Association; FCC.

FCC 10th Annual Competition Report Results

The number of wireless subscribers increased in 2004 to over 182 million a 28% increase over the number added in 2003. According to CTIA, it has reached 194 million in 2005.

The number of jobs has increased to 226,016 as of December 2004.

Capitol Investment has gone up to 173 Billion as of December 2004.

The Average Monthly Usage (MOUs) increased to 680 in 2004.

Finally, the Price Per Minute is down to $0.08.